Strategy for enhancement of FDI inflows

472. SHRI KARNENDU BHATTACHARJEE: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that India has achieved third position in global economy in respect of FDI;

(b) if so, whether Government have formulated any strategy to derive maximum benefits out of the remarkable achievements; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir. According to FDI confidence Index 2004 compiled by A.T. Kearney, a global management consulting firm, India ranked third most attractive destination in Asia in 2004.

(b) and (c) Government has put in place a liberal and transparent Foreign Direct Investment (FDI) policy and most of the sectors have been placed under the automatic route. FDI up to 100% is permitted on the automatic route for most activities/sectors except for a few sectors where caps have been prescribed. FDI will continue to be encouraged and actively sought, particularly in the areas of infrastructure, high technology and exports.

Restrictions on NBFCs from accepting retail deposits

473. SHRI MANOJ BHATTACHARYA: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has decided to start a scheme where under all Residuary Non-Banking Financial Companies would be required to refrain from accepting retail deposits and invest all their existing funds only in Government and other approved securities;

(b) if so, the details thereof and by when the scheme is likely to be implemented;and

(c) what other measures are being contemplated to safeguard the interests of the small depositors, most of whom are hailing from the rural areas and belong to small income groups?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Reserve Bank of ndia (RBI) have reported that they have not decided to start a scheme where under all

Residuary Non-Banking Companies (RNBCs) would be required to refrain from accepting retail deposits.

The RNBCs were required to maintain 80 per cent of their Aggregate Liabilities to Depositors (ALD) as per directed pattern of investment.

This discretionary limit of 20 per cent will have to be reduced to 10 per cent of their ALD from April 1, 2005 and to nil with effect from April 1, 2006. In other words discretionary limit will stand abolished from April 1, 2006.

(c) Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes, *inter-alia,* compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder.

Infrastructure Equipment Finance Bank

474. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to set up Infrastructure Equipment Finance Bank in the country for extending credit and other facilities to small and marginal civil contractors;

(b) whether customs duty has been exempted for import of construction equipment for the purpose of usage in road construction; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The information is being collected and will be laid on the Table of the House.

Imposition of Sales Tax on Petro-Products

†475. SHRIMATI MAYA SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Central Government has recently directed the State Governments not to impose sales tax-on petro-products in order to check the inflation; and

†Original notice of the question was received in Hindi.